

## 19. RELATIONSHIP OF BUDGET AUTHORITY TO OUTLAYS

The Congress must provide budget authority, which is generally in the form of appropriations, before Federal agencies can obligate the Government to make outlays. When Congress fails to complete action on one or more of the regular annual appropriation bills before the fiscal year begins, budget authority may be made available on a temporary basis through continuing resolutions. Continuing resolutions make budget authority available for limited periods of time, generally at rates related through some formula to the rate provided in the previous year's appropriation.

Some new budget authority is available through permanent appropriations under existing law. This consists mainly of budget authority for trust funds, which for most trust funds is automatically appropriated under existing law; interest on the public debt, for which budget authority is automatically provided under a permanent appropriation enacted in 1847; and the authority to spend offsetting collections credited to appropriation or fund accounts. Budget authority for the medicare, railroad retirement, and unemployment insurance trust funds was changed by the Budget Enforcement Act of 1990, so that it equals estimated obligations of the funds rather than the funds' receipts. Conforming changes were made administratively in 1991 for most other trust funds and special funds subject to obligation limits or benefit formulas, including the social security and the military and civil service retirement trust funds.

The remaining new budget authority is normally made available annually through the appropriations process.

Not all of the new budget authority for 1997 will be obligated or spent in that year:<sup>1</sup>

- Budget authority for most trust funds comes from the authority of these funds to spend their receipts (limited, in most cases, by the estimated obligations). Any balances remain available to these trust funds indefinitely in order to finance benefits and other purposes specified by law.
- Budget authority for most major construction and procurement projects covers the entire cost estimated when the projects are initiated, even though work will take place and outlays will be made over a period extending beyond the year for which the budget authority is enacted. There are some exceptions to this requirement. However, the budget now requests \$1.4 billion in budget authority to be transferred to NASA and the De-

partments of Energy and Interior to fully fund certain of these projects that have previously been funded in incremental stages. This is discussed in the fixed assets section of chapter 6 of this volume, "Federal Investment Spending and Capital Budgeting."

- Budget authority for large portions of the subsidized housing programs is equal to the Government's estimated obligation to pay subsidies under contracts, which may extend for periods of up to 40 years.
- Budget authority for most other long-term contracts also covers the estimated maximum obligation of the Government.
- Budget authority for most education and job training activity is appropriated for school or program years that begin in the fourth quarter of the fiscal year. Most of these funds result in outlays in the year after the year of appropriation.
- Government enterprises are occasionally given budget authority for standby reserves that will be used only in the event of special circumstances.

As a result of these factors, a substantial amount of budget authority carries over from one year to the next. Most of this is earmarked for specific uses and is not available for new programs. A small part may never be obligated or spent, primarily the amount for contingencies that do not occur or reserves that never have to be used.

As shown in the following chart, \$339 billion of the outlays in 1997 (21 percent of the total) will be made from budget authority enacted in previous years. The amount of this "carry-over" budget authority that will be available at the beginning of the 1997 fiscal year, however, is particularly uncertain this year because Congress had not completed action on several regular annual appropriation bills for 1996 at the time the estimates for this budget were being prepared.

At the same time, \$342 billion of the new budget authority proposed for 1997 (21 percent of the total amount proposed) will not lead to outlays until future years. Thus, although outlays in 1997 are, coincidentally, very nearly equal to budget authority for that year (99.8 percent), the total budget authority for a particular year is not useful for the analysis of that year's outlays, since it combines various types of budget authority that have different short-term and long-term implications for budget obligations and outlays.

<sup>1</sup>This subject is also discussed in a separate OMB report, "Balances of Budget Authority," which can be purchased from the National Technical Information Service shortly after

the budget is transmitted.

**Chart 19-1. RELATIONSHIP OF BUDGET AUTHORITY  
TO OUTLAYS FOR FY 1997**

(Dollars in billions)

